



**Colorado Consumer
Health Initiative**

July 6, 2015

Commissioner Marguerite Salazar
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, Colorado 80202

Re: Comments on Colorado HealthOP Individual Rate Filing CHCO-130079594

Dear Commissioner Salazar:

The Colorado HealthOP is requesting an average total rate increase of 21.6% for their individual products.

As a new entrant into the health insurance market in 2014 we understand that capital acquisition is critical to the Colorado HealthOPs continued presence in Colorado. Additionally, with 77,325 policyholders enrolled in the first two years of operating, their exit from the marketplace would create significant shockwaves.

Nevertheless, there are a couple of justifications in the Colorado HealthOP's filing that we wish to bring to the Division's attention.

Pent-up Demand Adjustment

The Colorado HealthOP is very intentional about making sure that they reflect the change the market will see in 2016 due to newly insured Coloradans receiving care that had been delayed. They cite a study of the Massachusetts Commonwealth Care Populations, which showed an 18% reduction in claims from year 1 of the program to year 2. However, no justification is provided as to why the Colorado HealthOP decided to use a 15% reduction adjustment instead of an 18% reduction adjustment based off this study. We ask the Division to request the Colorado HealthOPs reasoning behind their pent-up demand adjustment and to have the company explain what 2015 emerging experience was used to confirm the reasonability of this assumption.

Change in Reinsurance Recoveries

The Colorado HealthOP has estimated that reinsurance recoveries will reduce their premium charges by 1.9% in 2016. On June 30th CMS announced that the Colorado HealthOP received a transitional reinsurance payment of \$19,571,825.50. This was with an average number of covered lives of 11,378 in 2014. In this current filing the Colorado HealthOP has reported 77,325 policyholders. Even though funding for the

reinsurance program is reduced in 2016, the Colorado HealthOP could receive a larger payment for their 2016 claims because of their dramatic increase in covered lives.

We ask that the Division of Insurance review the Colorado HealthOPs reinsurance recovery projections in light of this recently released information, as their reinsurance experience could vary significantly in 2016.

Additionally, on page 8 of their actuarial memorandum the Colorado HealthOP uses a 20% reduction on their claims curve when estimating their reinsurance payments for 2016. However, the Colorado HealthOP has proposed a 15% adjustment for the overall components of their 2016 premium charges. It is not clear as to why these factors are different. If a 20% factor is being used for the reinsurance program to recover costs, it should also be applied to overall premium charges to ensure that consumers are not charged an excessive rate.

Colorado HealthOP's Unique Market-wide Impacts

Moving forward, we are concerned about how the Colorado HealthOP's dramatic rating swings from year-to-year could impact the overall individual and individual exchange markets. In 2015, tens of thousands of enrollees in Connect for Health Colorado saw significant decreases to their advanced premium tax credits due to the Colorado HealthOP's insurance rates. In 2016, tens of thousands of Coloradans will see an average rate increase of 21.6%, but they will likely not have another viable option as the Colorado HealthOP will likely remain the lowest cost insurer for much of the state. Even though consumers will still be purchasing the most affordable plan on the marketplace, this increase will still be a significant hit to their budget. For example, a 40-year-old consumer purchasing the Bison Flex EPO plan in Denver will see their premiums increase from \$204.00 per month to \$245.37 per month. Over the course of the year, that amounts to an extra \$496.44 in unexpected costs for an individual that does not qualify for tax credits. This increase leaves consumers with few affordable alternatives and no ability to shape the market by shopping around during the open enrollment period.

Trade Secrets

Division of Insurance Amended Regulation 4-2-39 states the Colorado Actuarial Memorandum cannot be held as confidential. The Division should ensure all sections of the memorandum are publicly available and accessible online. Any Excel documents submitted to the Division should also be required to be submitted in PDF format so they are available through the System for Electronic Rate and Form Filing (SERFF). These documents are otherwise inaccessible to the public, which significantly hinders the ability of consumers to evaluate rate filings and undermines the rate review process.

Thank you for this opportunity to comment on the 2016 rate filings. If you have any questions, please feel free to contact us.

Sincerely,



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